

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 SS-15
PA-01 NSC-05 ICA-11 DOE-15 SOE-02 /083 W
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FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC 3243
INFO AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMEMBASSY MANILA
AMEMBASSY SINGAPORE
AMEMBASSY TOKYO

C O N F I D E N T I A L KUALA LUMPUR 2721

E.O.11652: GDS
TAGS: EAIR, MY, US
SUBJECT: MALAYSIA CONSIDERING CIVIL AIR TALKS WITH U.S.

REF: A. 77 KUALA LUMPUR 1396 B. KUALALUMPUR 0485

1. MALAYSIA'S MINISTER OF COMMUNICATIONS MANICKAVASAGAM TOLD ME AT DINNER APRIL 3 THAT HIS MINISTRY IS ACTIVELY WEIGHING THE POSSIBILITY OF INITIATING CIVIL AIR DISCUSSIONS WITH US. HE SAID HE HAD ASKED HIS DIRECTOR OF CIVIL AVIATION TO BE IN TOUCH WITH US IN THE NEAR FUTURE, AND THAT HE HAS ALSO BEEN IN TOUCH WITH MALAYSIAN AMBASSADOR ZAIN IN WASHINGTON ON THE MATTER.

2. MANICKAVASAGAM NOTED THAT MALAYSIA'S AIRLINE, MAS, ALREADY FLIES TO HONG KONG AND TOKYO, AND THAT IT WOULD SOON BEGIN FLYING INTO SEOUL. (MANICKAVASAGAM WAS IN BOTH TOKYO AND SEOUL LAST MONTH FOR TALKS). HE INDICATED THAT HE THOUGHT MALAYSIA SHOULD AS A "LONG-TERM" OBJECTIVE SEEK TO EXTEND MAS SERVICE TO THE U.S. WEST COAST. HE OBSERVED THAT FOREIGN
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INVESTMENT IN MALAYSIA WAS GROWING, INCLUDING AMERICAN INVESTMENT AND THAT THE PROSPECTS WERE BRIGHT FOR FUTURE GROWTH. HE CITED THE RECENT SIGNING OF THE PETRONAS-SHELL-MITSUBISHI JOINT VENTURE AGREEMENT FOR THE VAST BINTULU LNG PROJECT, THE GROWING OFFSHORE OIL DEVELOPMENT IN PENINSULAR MALAYSIA, AND REYNOLDS' PLANS FOR ALUMINUM PROCESSING AND SMELTING IN EAST MALAYSIA. HE NOTED ALSO THAT MAS EQUIPMENT WAS LARGELY

BOEING. IN HIS VIEW, ALL OF THIS GROWING ACTIVITY WOULD BRING INCREASED DEMAND FOR AIR SERVICE BETWEEN THE U.S. AND MALAYSIA. HE THOUGHT U.S. AIRLINES WOULD BE INCREASINGLY INTERESTED IN THIS BUSINESS AND THAT MAS OUGHT TO HAVE A SHARE OF IT TOO. HE INDICATED HIS MINISTRY WOULD BE EXPLORING MATTERS WITH PANAM.

3. COMMENT: MANICKAVASAGAM'S APPROACH TO ME APPEARED TO BE IN THE NATURE OF A TRIAL BALLOON. IN THE COURSE OF OUR DISCUSSION, HE NOTED THAT THE AIR SERVICES POTENTIAL FOR THE WHOLE REGION WAS GROWING, AND THAT MAS AND MALAYSIA (AND THE U.S.) SHOULD SHARE THE BENEFITS OF THIS GROWING MARKET. I WOULD WELCOME THE DEPARTMENT'S PRELIMINARY GUIDANCE FOR USE IF AND WHEN THE MINISTRY APPROACHES US MORE FORMALLY. I WOULD HOPE THAT WE COULD BE REASONABLY POSITIVE, TAKING INTO ACCOUNT THE DESIRABILITY BOTH OF "EQUAL TREATMENT" OF ASEAN COUNTRIES AND OF STIMULATING AMERICAN INVESTMENT IN MALAYSIA. REFTELS ARE OUR LAST COMMUNICATIONS ON US-MALAYSIA CIVIL AIR RELATIONS.

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